



# **Survey of Businesses' Inflation Expectations**

**January 2023**

**SECTOR ANALYSIS DEPARTMENT  
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**

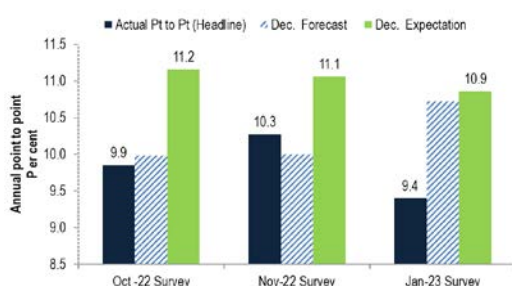
# Inflation Expectations Survey



The Statistical Institute of Jamaica (STATIN) undertakes surveys of businesses on behalf of the Bank of Jamaica to ascertain the expectations of these economic agents about variables which are likely to have an impact on inflation in the near-term. In this regard, the survey captures the perception of Chief Executive Officers, Managing Directors and Financial Controllers about the future movement of prices, current and future business conditions and the expected rate of increase in wages/salaries. These responses assist the Central Bank in charting future policy decisions. The most recent survey was conducted between 28 December 2022 and 27 January 2023 and had 280 respondents. Below are highlights from that survey.

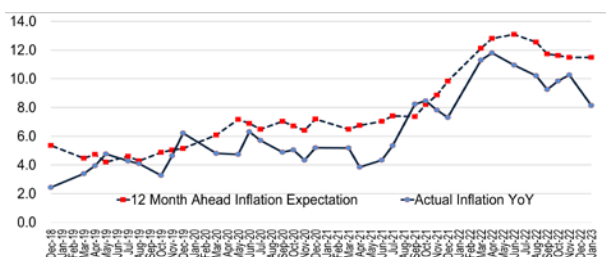
## Figure 1: Inflation Expectations

If you expect inflation, what do you expect the rate of inflation to be at December 2022 and over the next 12 months?\*



## Figure 2: Expected Annual Inflation

What do you expect the rate of inflation to be over the next 12 months?\*



\*Dates refer to survey periods

## Inflation Expectations

In the January 2023 survey, respondents' expectation for point-to-point inflation as at December 2022 was **10.9 per cent**. This expectation was higher than the annual point-to-point inflation of **9.4 per cent** for December 2022 (see **Figure 1**). Respondents' expectation of inflation 12-months ahead remained unchanged at **11.5 per cent** relative to the previous survey's estimate of **11.5 per cent** (see **Figure 2**).

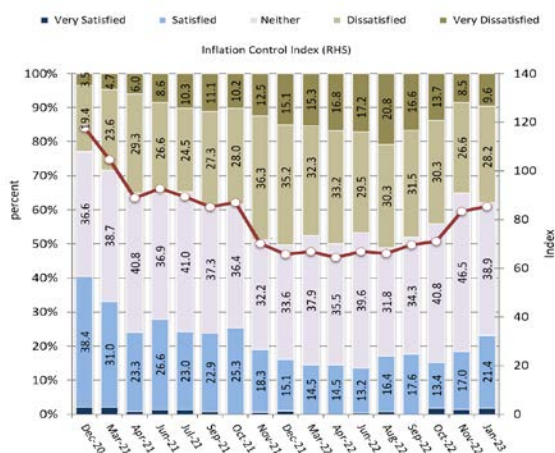
## Overview

- The January 2023 survey indicated an expected point-to-point inflation of 10.9 per cent for calendar year 2022 (December 2022), which was higher than the December 2022 outturn of 9.4 per cent. The expected inflation 12 months ahead is expected to be 11.5 per cent, which remains unchanged relative to the previous survey outturn of 11.5 per cent.
- The perception of inflation control improved in the December 2022 survey relative to the November 2022 survey.
- Respondents forecasted the exchange rate to depreciate over all three-time horizons but at a reduced pace compared to the previous survey.
- The majority of respondents believes that the Bank's policy rate will remain the same over the next three months. The proportion of respondents of this view increased marginally relative to the previous survey.
- The Present Business Conditions Index increase relative to the previous survey. The Future Business Conditions Index decreased relative to the previous survey.

# Inflation Expectations Survey

**Figure 3: Perception of Inflation Control**

How satisfied are you with the way inflation is being controlled by the Government?<sup>1</sup>



\*December 2005 = 100  
\*Dates refer to survey periods

## Perception of Inflation Control

Businesses' perception of the authorities' control of inflation improved in the January 2023 survey (see **Figure 3**) relative to the previous survey. This was largely due to an increase in the proportion of respondents that were "satisfied" with how inflation is being controlled.

## Exchange Rate Expectations

Respondents anticipated depreciation over the three-, six- and twelve-month time horizons. In the January 2023 survey, the exchange rate was anticipated to depreciate by **0.4 per cent**, **1.0 per cent** and **1.6 per cent** for the 3-month, 6-month, and 12-month time horizons, respectively. This represents a slower pace of depreciation for all the time horizons when compared to the previous survey. Respondents in the November 2022 survey expected the rate to depreciate by **0.9 per cent**, **1.5 per cent** and **2.4 per cent** over the 3-month, 6-month and 12-month time horizons, respectively, (see **Table 1**).

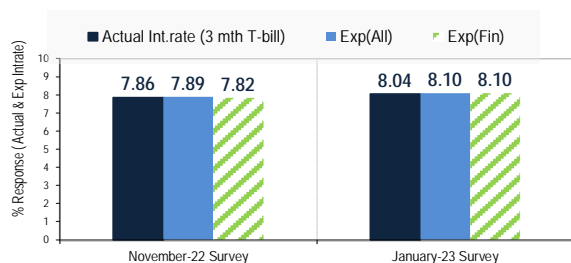
**Table 1: Exchange Rate Expectations**

In November 2022, the exchange rate was J\$154.64=US\$1.00. What do you think the rate will be for the following time periods ahead, 3 months, 6 months and 12 months?

OVERALL SURVEY				
Periods	Expected Depreciation (+)/Appreciation(-)			
	SURVEY DATES			
	Sep-22	Oct-22	Nov-22	Jan-23
3-Months	0.9	1.4	0.9	0.4
6-Months	1.5	1.9	1.5	1.0
12-Months	2.1	2.5	2.4	1.6

**Figure 4: 90-day T-bill**

In December 2022, the 90-day T-bill rate was 8.04 per cent. What do you think the rate will be for the next 3 months?



## Interest Rate Expectations: 90-day T-bill

Survey respondents expected the 90-day Treasury bill rate, three months hence to be **8.1 per cent**. This expected rate was broadly in line with the December 2022 outturn of **8.04 per cent** (see **Figure 4**). Financial sector respondents expect the 90-day Treasury bill rate, three months hence, to be **8.1 per cent**.

<sup>1</sup> Index of inflation control calculated as the number of satisfied respondents minus the number of dissatisfied respondents plus 100.

# Inflation Expectations Survey

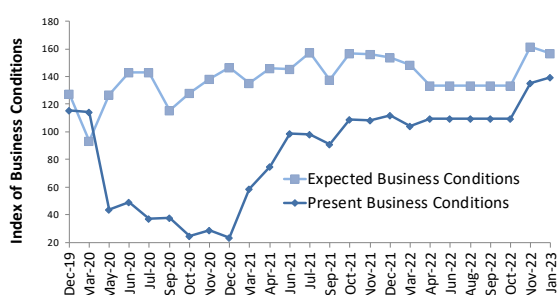
## Table 2: Interest Rate Expectations: Policy Rate

In November 2022, the Bank of Jamaica’s overnight rate (policy rate) was 7.0 per cent. What do you think this rate will be for the next 3 months?

SURVEY DATES	OVERALL			FINANCIAL SECTOR		
	Oct -22	Nov -22	Jan-23	Oct -22	Nov -22	Jan-23
Survey responses (percentage of total)						
Significantly Lower	0.0	0.0	0.0	0.0	0.0	0.0
Marginally Lower	2.9	4.3	5.7	5.6	6.1	0.0
Remain the Same	41.9	46.8	47.5	11.1	33.3	50.0
Marginally Higher	42.6	35.5	35.4	77.8	54.5	40.0
Significantly Higher	2.9	1.8	2.1	0.0	3.0	10.0
Don't Know	9.7	11.7	9.3	0.0	0.0	0.0

## Figure 5: Present and Future Business Conditions

1. In general, do you think business conditions are better or worse than they were a year ago in Jamaica?
2. Do you think that in a year from now business conditions will get better or get worse than they are at present?



\*Balanced score method: (better-worse) +100

\*Dates refer to survey periods

## Interest Rate Expectations: Policy Rate

In the January 2023 survey, the majority of respondents expected that the Bank’s policy rate would remain the same over the next three months. This proportion increased marginally relative to the previous survey.

With regard to the financial sector, the majority (**50.0 per cent**) of respondents expected that the Bank’s policy rate would remain the same. Notably, responses from the financial sector revealed that **40.0 per cent** of respondents expected the rate to be marginally higher. This reflected a decrease compared to the previous survey.

## Perception of Present and Future Business Conditions

In the January 2023 survey, the Present Business Conditions Index increased to **139.6** relative to **135.1** recorded in the previous survey. The Future Business Conditions Index decreased to **156.8** relative to **161.7** in the previous survey (see **Figure 5**).

The Present Business Conditions Index mainly reflected an increase in the percentage of respondents who said that conditions are and will be “better”. The Future Business Conditions Index mainly reflected an increase in the percentage of respondents who said that conditions are and will be “worse”.

# Inflation Expectations Survey

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## Table 3: Operating Expenses

Which input do you think will have the highest price increase in the next 12 months?

SURVEY DATES			
	Oct-22	Nov-22	Jan-23
Utilities	37.5	40.1	37.9
Stock Replacement	32.9	31.2	32.5
Raw Materials	13.4	11.7	12.5
Fuel & Transport	11.9	12.4	11.4
Wages & Salary	3.6	4.3	5.0
Not Stated	0.7	0.4	0.7
Other	0.0	0.0	0.0

## Expected Increase in Operating Expenses

Respondents indicated that they expected the largest increase in production costs over the next twelve months to emanate from utilities, stock replacement, as well as raw materials in that order. The wages & salary expense is still anticipated to be the least likely to increase. (see **Table 3**).